Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

March 2017: budgetary deficit of $10.4 billion

There was a budgetary deficit of $10.4 billion in March 2017, compared to a budgetary deficit of $9.4 billion reported for March 2016. Revenues increased by $1.0 billion, or 4.2 per cent, as higher tax revenues were partially offset by lower Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by $1.7 billion, or 5.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by $0.3 billion, or 14.2 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

April 2016 to March 2017: budgetary deficit of $21.8 billion

For the April to March period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $21.8 billion, compared to a deficit of $2.0 billion reported for the same period of 2015–16. Revenues were up $0.6 billion, or 0.2 per cent, as higher tax revenues were partially offset by lower EI premium revenues and other revenues. Program expenses increased by $21.7 billion, or 8.2 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.2 billion, or 4.7 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

The April 2016 to March 2017 monthly results are not the final results for the year as a whole. The final results will also reflect end-of-year adjustments that will be made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns. Taking year-end adjustments into account, results to date are broadly in line with a $23.0-billion deficit in 2016–17, as projected in Budget 2017.

The Government will release the final audited outcome for 2016–17 in the *Annual Financial Report of the Government of Canada* in the fall.

March 2017

There was a budgetary deficit of $10.4 billion in March 2017, compared to a deficit of $9.4 billion in March 2016.

Revenues in March 2017 totalled $25.1 billion, up $1.0 billion from March 2016.

- Personal income tax revenues were up $1.2 billion, or 11.9 per cent.
- Corporate income tax revenues were up $0.8 billion, or 21.9 per cent.
- Non-resident income tax revenues were down $0.3 billion, or 59.9 per cent.
- Excise taxes and duties were down $0.1 billion, or 3.2 per cent. Goods and Services Tax (GST) revenues decreased by $0.3 billion, energy taxes increased by $23 million, customs import duties decreased by $24 million, and other excise taxes and duties increased by $0.1 billion.
- EI premium revenues were down $20 million, or 0.9 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $0.6 billion, or 16.8 per cent, reflecting lower revenues from Crown corporations and lower interest and penalties revenues.

Program expenses in March 2017 were $33.2 billion, up $1.7 billion, or 5.3 per cent, from March 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.9 billion, or 13.5 per cent. Elderly benefits increased by $0.2 billion, or 5.7 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.2 billion, or 14.8 per cent. Children's benefits increased by $0.5 billion, or 32.1 per cent, reflecting the new

Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 5.1 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.5 billion, or 2.4 per cent. Within direct program expenses:
  - Transfer payments decreased by $0.1 billion, or 1.4 per cent.
  - Other direct program expenses increased by $0.6 billion, or 4.6 per cent, reflecting an increase in Crown corporation expenses and an increase in year-end valuation adjustments for assets and liabilities.

Public debt charges increased by $0.3 billion, or 14.2 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

April 2016 to March 2017

For the April to March period of the 2016–17 fiscal year, there was a budgetary deficit of $21.8 billion, compared to a deficit of $2.0 billion reported during the same period of 2015–16.

Revenues increased by $0.6 billion, or 0.2 per cent, to $290.2 billion.

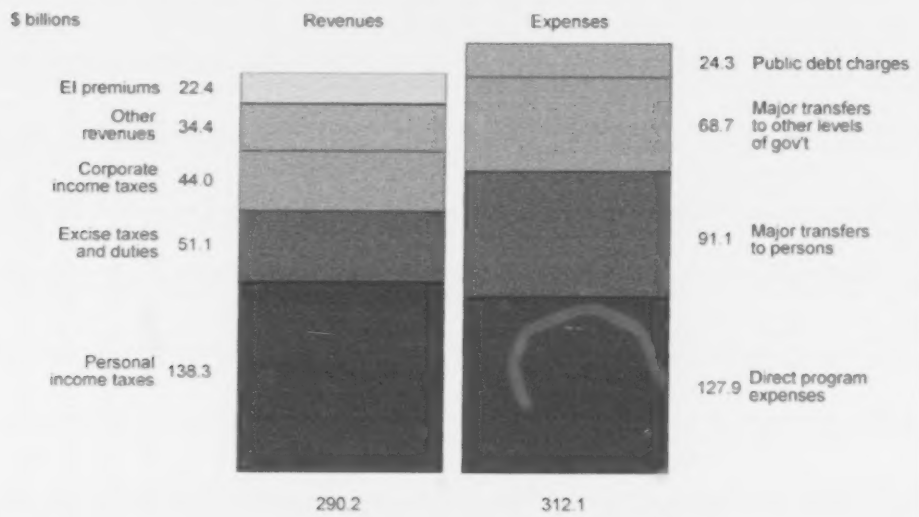
- Personal income tax revenues were up $0.3 billion, or 0.2 per cent.
- Corporate income tax revenues were up $2.3 billion, or 5.4 per cent.
- Non-resident income tax revenues were up $0.5 billion, or 8.2 per cent.
- Excise taxes and duties were up $0.5 billion, or 1.1 per cent. GST revenues were up $0.6 billion, energy taxes and other excise taxes and duties were both down $0.1 billion, and customs import duties were up $0.1 billion.
- EI premium revenues were down $0.4 billion, or 1.8 per cent.
- Other revenues were down $2.5 billion, or 8.4 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

Program expenses totalled $287.7 billion, up $21.7 billion, or 8.2 per cent, from the same period the previous year.

- Major transfers to persons were up $8.3 billion, or 10.0 per cent. Elderly benefits increased by $2.7 billion, or 5.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.4 billion, or 7.4 per cent, and children's benefits were up $4.2 billion, or 23.2 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $2.8 billion, or 4.3 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $10.6 billion, or 9.1 per cent. Within direct program expenses:
  - Transfer payments increased by $6.0 billion, or 16.9 per cent, reflecting a number of factors including the accelerated repayment of contributions by Pratt & Whitney Canada in 2015–16, which decreased transfer payments in that year, as well as increased transfers in the current year related to claims and infrastructure spending.
  - Other direct program expenses increased by $4.7 billion, or 5.7 per cent, largely reflecting increases in Crown corporation expenses and increases in pension and other employee future benefit expenses based on the Government's latest actuarial valuations.

Public debt charges decreased by $1.2 billion, or 4.7 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April 2016 to March 2017)



Note: Totals may not add due to rounding.

Financial requirement of $25.7 billion for April 2016 to March 2017

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $21.8 billion and a financial requirement of $3.9 billion from non-budgetary transactions, there was a financial requirement of $25.7 billion for the April 2016 to March 2017 period, compared to a financial requirement of $12.6 billion for the same period the previous year.

Net financing activities up $24.8 billion

The Government financed its financial requirement of $25.7 billion by decreasing cash balances by $0.9 billion and increasing unmatured debt by $24.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of March 2017 stood at $36.9 billion, down $0.9 billion from their level at the end of March 2016.

Table 1
Summary statement of transactions
$ millions

	March		April to March	
	2016	2017	2015–16	2016–17
Budgetary transactions				
Revenues	24,105	25,113	289,591	290,229
Expenses				
Program expenses	-31,489	-33,158	-266,019	-287,730
Public debt charges	-2,052	-2,343	-25,536	-24,345
Budgetary balance (deficit/surplus)	-9,436	-10,388	-1,964	-21,846
Non-budgetary transactions	11,007	5,836	-10,614	-3,867
Financial source/requirement	1,571	-4,552	-12,578	-25,713
Net change in financing activities	-6,561	-2,503	22,473	24,769
Net change in cash balances	-4,990	-7,055	9,895	-944
Cash balance at end of period			37,845	36,901

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	March			April to March		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,452	11,696	11.9	138,040	138,293	0.2
Corporate income tax	3,601	4,389	21.9	41,701	43,953	5.4
Non-resident income tax	501	201	-59.9	6,384	6,905	8.2
Total income tax	14,554	16,286	11.9	186,125	189,151	1.6
Excise taxes and duties						
Goods and Services Tax	2,462	2,211	-10.2	33,673	34,280	1.8
Energy taxes	438	461	5.3	5,649	5,597	-0.9
Customs import duties	473	449	-5.1	5,372	5,441	1.3
Other excise taxes and duties	388	519	33.8	5,888	5,799	-1.5
Total excise taxes and duties	3,761	3,640	-3.2	50,582	51,117	1.1
Total tax revenues	18,315	19,926	8.8	236,707	240,268	1.5
Employment Insurance premiums	2,326	2,306	-0.9	22,831	22,420	-1.8
Other revenues	3,464	2,881	-16.8	30,053	27,541	-8.4
Total revenues	24,105	25,113	4.2	289,591	290,229	0.2

Note: Totals may not add due to rounding.

Table 3
Expenses

	March			April to March		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,903	4,124	5.7	45,494	48,177	5.9
Employment Insurance benefits	1,590	1,826	14.8	19,440	20,877	7.4
Children's benefits	1,522	2,010	32.1	17,929	22,085	23.2
Total	7,015	7,960	13.5	82,863	91,139	10.0
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,835	2,996	5.7	34,025	36,058	6.0
Canada Social Transfer	1,080	1,112	3.0	12,959	13,348	3.0
Total	3,915	4,108	4.9	46,984	49,406	5.2
Fiscal arrangements and other transfers	1,844	1,775	-3.7	21,345	21,596	1.2
Canada's cities and communities	37	38	2.7	1,973	2,102	6.5
Quebec Abatement	-371	-222	-40.2	-4,451	-4,451	0.0
Total	5,425	5,699	5.1	65,851	68,653	4.3
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	270	365	35.2	1,289	1,567	21.6
Employment and Social Development Canada	945	1,627	72.2	6,273	8,101	29.1
Global Affairs Canada	1,535	1,041	-32.2	4,366	4,146	-5.0
Health Canada	333	401	20.4	2,985	3,225	8.0
Indigenous and Northern Affairs Canada	1,484	1,411	-4.9	7,775	8,960	15.2
Innovation, Science and Economic Development Canada	467	1,108	137.3	1,404	4,204	199.4
Other	2,072	1,051	-49.3	11,091	10,940	-1.4

Total	7,106	7,004	-1.4	35,183	41,143	16.9
Other direct program expenses						
Crown corporations	726	1,025	41.2	8,562	9,438	10.2
National Defence	3,814	3,744	-1.8	24,474	25,535	4.3
All other departments and agencies	7,403	7,726	4.4	49,086	51,822	5.6
Total other direct program expenses	11,943	12,495	4.6	82,122	86,795	5.7
Total direct program expenses	19,049	19,499	2.4	117,305	127,938	9.1
Total program expenses	31,489	33,158	5.3	266,019	287,730	8.2
Public debt charges	2,052	2,343	14.2	25,536	24,345	-4.7
Total expenses	33,541	35,501	5.8	291,555	312,075	7.0

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	March		April to March	
	2016	2017	2015–16	2016–17
Budgetary balance (deficit/surplus)	-9,436	-10,388	-1,964	-21,846
Non-budgetary transactions				
Capital investment activities	-112	-3,141	-4,091	-7,125
Other investing activities	770	663	-5,340	-7,452
Pension and other accounts	-58	337	4,381	7,111
Other activities				
Accounts payable, receivables, accruals and allowances	8,706	7,126	282	3,763
Foreign exchange activities	2,836	-856	-8,520	-5,259
Amortization of tangible capital assets	-1,135	1,707	2,674	5,095
Total other activities	10,407	7,977	-5,564	3,599
Total non-budgetary transactions	11,007	5,836	-10,614	-3,867
Financial source/requirement	1,571	-4,552	-12,578	-25,713

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	March		April to March	
	2016	2017	2015–16	2016–17
Financial source/requirement	1,571	-4,552	-12,578	-25,713
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	730	-1,700	16,208	32,240
Treasury bills	-4,100	200	2,400	-1,400
Retail debt	4	-23	-585	-543
Total	-3,366	-1,523	18,023	30,297
Foreign currency borrowings	-1,232	-1,110	2,215	-4,873
Total	-4,598	-2,633	20,238	25,424
Cross-currency swap revaluation	-1,996	339	1,722	-628
Unamortized discounts and premiums on market debt	49	-203	751	275
Obligations related to capital leases and other unmatured debt	-16	-6	-238	-302
Net change in financing activities	-6,561	-2,503	22,473	24,769
Change in cash balance	-4,990	-7,055	9,895	-944

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	March 31, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	138,645	10,792
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	536,308	32,240
Treasury bills	138,100	136,700	-1,400
Retail debt	5,076	4,533	-543
Subtotal	647,244	677,541	30,297
Payable in foreign currencies	22,482	17,609	-4,873
Cross-currency swap revaluation	8,391	7,763	-628
Unamortized discounts and premiums on market debt	5,047	5,322	275
Obligations related to capital leases and other unmatured debt	5,047	4,745	-302
Total unmatured debt	688,211	712,980	24,769
Pension and other liabilities			
Public sector pensions	152,227	151,526	-701
Other employee and veteran future benefits	85,681	93,417	7,736
Other liabilities	5,602	5,678	76
Total pension and other liabilities	243,510	250,621	7,111
Total interest-bearing debt	931,721	963,601	31,880
Total liabilities	1,059,574	1,102,246	42,672
Financial assets			
Cash and accounts receivable	154,688	160,774	6,086

Foreign exchange accounts	93,539	98,798	5,259
Loans, investments, and advances (net of allowances)[1]	115,957	125,045	9,088
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	386,256	20,433
Net debt	693,751	715,990	22,239
Non-financial assets	77,765	79,795	2,030
Federal debt (accumulated deficit)	615,986	636,195	20,209

Note: Totals may not add due to rounding.

[1] March 31, 2017 amount includes $1.6 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2016 to March 2017 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

May 2017

© Her Majesty the Queen in Right of Canada (2017)

All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to the Department of Finance Canada.

Cette publication est également disponible en français.

Cat. No.: F12-4E-PDF
ISSN: 1487-0134